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Keywords

not-for-profits, consultancies, institutional theory

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Corporate “creep”: an institutional view of consultancies in a nonprofit organisation

by

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Abstract.

Professional consultants play a role in mobilising the “creep” of corporate practices from the for-profit sector, through the public sector and into the nonprofit sector. As well as legitimising these practices, consultancies illustrate the power of professional groups to institute change across sectors. In spite of this, the proliferation of consultancies is under-researched, particularly in the increasingly sophisticated nonprofit sector. In one year, one religious/charitable organisation (RCO) commissioned no fewer than five consultancies. This study provides insights about the process by which the consultancies were commissioned, conducted and adopted as RCO grappled with the applicability of corporate practices and its capability of implementing them. It also highlights issues of interest to other nonprofits as they assess their need to employ consultants and the potential impact of adopting recommended practices.

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Introduction

Not only in the corporate world, but in the public sector, and increasingly in the nonprofit sector, there has been a phenomenal growth in the consulting “industry” in recent years. Can it be explained simply by an increasing need of organisations to seek external advice on how to operate, on consultants’ success in projecting themselves as legitimate providers of much-needed business expertise, or are there broader institutional factors at work?

Nonprofit organisations have been identified as a “major economic force in the world” (Johns Hopkins University 2004: 5), operating in an environment that has undergone significant changes in recent years, particularly in relation to funding and demands for accountability (Chapman 1998: 211, Irvine 2000). Faced with challenges to operate in a more business-like and professional manner (Hall 1990, Myers and Sacks 2003: 293, Dart 2004, Arnaboldi and Lapsley 2004), and to make money go further, the sector has changed from a cooperative culture to one which is as “intensely competitive as commercial organizations” (Parker 1998: 50). Increasingly this competitive environment has led nonprofit senior executives to employ consultants to assist with “transformational change” (Chapman 1998: 211). Accounting firms have aggressively marketed themselves as professional providers of these consulting services over the last few decades, to the extent now that many of these services are “far removed from the traditional links with accounting and audit” (Brierley and Gwilliam 2001: 514).

The focus of this paper is the use of external consultants by one nonprofit organisation, RCO¹, in the broader context of these institutional changes. A church as well as a charitable organisation, RCO is part of an international organisation that

¹ RCO, a Christian religious/charitable organisation, is a pseudonym.

established an Australian base over 100 years ago. It currently enjoys an excellent reputation in Australia for its extensive social work. Its culture is unique, since it is a religious organisation with an almost iconic status in caring for the underprivileged within Australian society; it is heavily reliant on the public, including corporations, for funding and volunteer assistance; and as an organisation, it is acutely conscious of the need to maintain its image in order to continue successfully to raise funds in order to fulfill its mission. This unique culture has made it open to the influence of corporate practices, for both practical and legitimising reasons, to the extent that during the 1996/97 year, when the study on which this paper is based was conducted, it had commissioned no fewer than five external consultancies: a budgeting study, an organisational review, and consultancies on aged care, its business operations and the computerised accounting system.

An overview of these five studies provides valuable insights into the institutional factors at work within the nonprofit sector. The Business Organisation and computer consultancies have been chosen for more detailed analysis because of the availability of information, and the author's interaction with personnel involved in the studies. They were commissioned during the 1990s when RCO and other Australian nonprofit organisations faced significant challenges in moving towards a more corporate style of operations. This pressure emanated from the implementation of new public sector management (Adams 1997: 99, Guthrie and English 1997, Everingham 1998) by the governments on which nonprofits relied for funding, changes in government funding for nonprofit organisations (Lyons 1997: 206 – 207, Melville and Nyland 1997: 49, Ryan 1997: 23, 29), and an increased emphasis on operating as “a crucial partner with business and government, with which it is both complementary and contrasting” (Industry Commission 1995: 4).

The pressures for corporatisation that infiltrated the public sector have not abated in the years following the conduct of this study (Hall-Taylor 2001, Josserand et al 2006), and have permeated nonprofit organisations². The result is that “professional and other expert advice” is “increasingly available to nonprofits” (Leiter 2005: 6), which now place greater reliance on “professional values, norms, and operating methods” (Leiter 2005: 8).

This paper therefore serves a three-fold purpose:

1. to outline the role of professional consultancies in the “creep” of corporate practices to the nonprofit sector, and to identify that “creep” as part of a broader institutional pattern;
2. to illustrate this corporate “creep” by providing an overview of the commissioning and adoption issues of five consultancies in RCO;
3. by focusing in detail on two consultancies within RCO, to expose some of the challenges faced by nonprofit organisations when confronted with the recommendations of professional consultants.

The next section of this paper reviews literature on the prevalence of consultancies in the public and nonprofit sectors. An institutional theory framework is then proposed, and the significance of consultancies within that framework, particularly in relation to professional groups, is explored. Next, RCO is described in more detail. The way in which the study was conducted is outlined, and RCO’s organisational structure and culture are analysed, particularly as they relate to RCO’s openness to corporate practices. RCO’s consultancies are then considered, exploring the motivations for

² The Australian adoption of International Financial Reporting Standards from 2005, which are applicable to all organisations defined as “reporting entities”, across all sectors, further pushes nonprofits into a corporate mode.

employing consultants and the difficulties of adopting their recommendations. Finally, conclusions are drawn about the integrity of an institutional interpretation of consultancies and the role of professional groups in mobilising corporate practices across sectors. Challenges are identified for nonprofits as they assess the relevance and applicability of the corporate techniques suggested by external consultants.

Professional consultants

Various reasons have been proposed for the growth in the demand for professional consultancy services across the corporate, public and nonprofit sectors: consultants provide required expertise which management lack (Fincham 1999: 337 – 9), consultants market “glossily packaged analytical techniques” to “ill-informed clients” (Williams 1972: 199), consultants act as agents of change (Massey and Walker 1999), or consultants legitimise (and often carry out) the unpopular policies of management (Lapsley and Oldfield 2001: 527). Underlying these conventional roles are themes of “control, expertise and legitimation (Sturdy 1997b: 513).

This proliferation of consultancies has occurred in an environment where competition for scarce resources is intense (Burdett 1994: 28), and where new public management has lessened the differences between the private and public sectors, shifting the emphasis from “process accountability” to “a greater element of accountability in terms of results” (Hood 1995: 94). The public sector has been described as a “major employer” of management consultants, since it increasingly operates in “an environment defined by marketing principles and directed by business forces”, and as a consequence has had to “grapple with converting private sector principles into public sector practice” (Corcoran and McLean 1998: 37). The introduction of new public sector management, with its “results-oriented management” (Shand 1990: 80), has changed fundamentally the way “business” is defined and carried out not only by

public sector organisations (Adams 1997: 99), but also, inevitably, by nonprofit organisations that rely on government funding (Meltz 1997: 191). The widening of the notion of “accountability” from the fulfillment of mere fiduciary responsibilities to economy, efficiency and effectiveness (Funnell and Cooper 1998: 33), has meant that nonprofit organisations operate in an uncertain environment (Irvine 2000: 9), and consequently are receptive to the expertise and reassurance that consultants can offer.

Attention to consulting in academic and professional journals focuses mostly on practical issues, including the desirability of gaining consulting work and how to market to that “niche” (Stivers and Campbell 1995, Burdett 1994), consultants as facilitators of “organizational learning” (Massey and Walker 1999), and the benefits of “systemic” consulting (Baitsch and Heideloff 1997). Other research has focused on reasons why organisations employ consultants (Sturdy 1997a), the nature of the consultant-client relationship (Fincham 1999), the “dispassionate” advice offered by consultants (Berry and Oatley 1994), and the benefits of board-level consultancies (Werther and Kerr 1995). Topics such as the size of the market for consulting in nonprofit software (Alexander 2000, McCausland 1999), the consultant as a client-centred, flexible facilitator (Chapman 1998), and even case studies of systems changes in nonprofit organisations that were assisted by consultants (Brinkman and Brown 1990) have further added to the literature on consultancies.

Some of the research, however, focuses on deeper issues relating to consulting, attempting to provide a critique of a practice that has been taken for granted. This includes an exploration of the dangers of consultants’ recommendations of the application of commercial techniques for public or nonprofit organisations (Saint-Martin 1998), and the identification of the “interactive” relationship between consultants and managers (Sturdy 1997a). Normative pressures on managers have

been proposed as setting a climate for the use of consultants (Williams 2004), with “consultant discourse” being a powerful means by which organisations are confronted with the need to change (Fincham 1999: 342). Management consultancy has been shown to play a role in the formation of government policy and the transformation of the public sector (Saint-Martin 1998, Lapsley and Oldfield 2001), and to promote the interests of capital, mediating with clients through labour processes and “individual preoccupation with existential and material security” (Sturdy 1997b: 511, 532). Other pitfalls identified in the employment of consultants include the dangers of over-consulting³ (Myers and Sacks 2003), the tensions between boards and staff in the implementation of consultants’ recommendations (Hall 1990), the risks of employing board-level consultants⁴ (Werther and Kerr 1995) and the political and power relationships inherent in the employment of consultants⁵ (Saint-Martin, 1998, Fincham, 1999). It is evident from this literature that consultancies span the private, public and nonprofit sectors, and have been instrumental in embedding corporate practices into organisations in all three sectors.

Corporate creep

Institutional theory exposes and explains the existence and power of underlying and taken for granted rules, norms and expectations, which, transcending technical factors, grant legitimacy to complying organisations (DiMaggio and Powell 1983, Scott

³ One nonprofit organisation was reported to have used five external consultants in a 12-month period, with the result that “although skilled in their own practice, the consultants left the organisation reeling in the wake of development recipes and solutions leaving people feeling ‘done to’ with no clear direction on successfully implementing recommendations, which were seen to be vital to the continued health of the organization” (Myers and Sacks 2003: 295).

⁴ The retaining of consultants at board level was seen as likely to encounter “CEO resistance”, with CEOs adopting various strategies in order to influence the consultants (Werther and Kerr 1995: 70 – 71). The case was a public company, and the board considered was therefore one with authority over the CEO.

⁵ Saint-Martin (1998: 348, citing Bloomfield and Danieli 1995) suggested that management consultants were brought into governments for both technical and political reasons, and that coming from the business sector gave them added credibility.

2001). Because organisations adhere to these expectations, there is a tendency for those organisations operating within a particular “field” to become similar in structure and practices. This process of “institutional isomorphism”⁶ leads to organisational homogeneity (DiMaggio and Powell 1983, Covalleski et al 1993: 66). Three categories of institutional pressures have been identified (DiMaggio and Powell 1983): coercive (rules and regulations imposed by regulatory authorities), normative (general societal beliefs and norms, including professionalisation) and mimetic (the tendency of organisations to copy the successful behaviour of other organizations in the same field). So powerful are these three categories of expectations that failure to comply compromises an organisation’s ability to succeed, and sometimes even to survive.

The world-wide institutionalisation of corporate practices, including the adoption of accrual accounting, into the public sector (Christensen 2003, Karan 2003, Hopwood 1990a, Hopwood 1990b, Guthrie and Humphrey 1996), and then into the nonprofit sector (Dart 2004, Myers and Sacks 2003: 287, 295, Jönsson 1998, Irvine 2000, Arnaboldi and Lapsley 2004: 17), has resulted in a “growing similarity between sectors” (Myers and Sacks 2003: 288). This institutionalisation has occurred for reasons that are not merely technical, since organisations adopt institutionally acceptable practices in order to legitimise their existence (Covalleski and Dirsmith, 1988: 562), to prove themselves worthy recipients of resources, and to achieve society’s approval (Oliver 1991, Ang and Cummings 1997, Meyer and Rowan 1977, Oliver 1997). This was made obvious in the case of a nonprofit organisation that had adopted Activity Based Costing as a “legitimizing exercise” so it could “portray itself

⁶ Institutional isomorphism suggests that there is a tendency for organisations operating within the same organisational field to become similar. This is because they all experience the same institutionalised expectations, compete for scarce resources, and therefore need to present themselves as legitimate recipients of those resources (DiMaggio and Powell 1983). Whether Australian nonprofit organisations are isomorphic is a contested issue, since while there are many distinctive similarities, there are also factors which perpetuate individuality amongst nonprofit organisations (Leiter 2005: 8).

as modern”, adopting rather than deploying this accounting technique (Arnaboldi and Lapsley 2004: 1). In doing this it was copying the practices of businesses in the private sector (Helmig et al 2004: 105).

This process of insitutionalisation of corporate practices is not without its problems, as “managerialism” obscures “some of the unique constraints under which nonprofits operate” (Hall 1990: 153). There is a possibility, therefore, that the unique role and mission(s) of nonprofit organisations may be misunderstood (Schlesinger et al 2004), as they become isomorphically indistinguishable from corporate and public sector organisations. A measure of legitimacy is gained when organisations comply with institutionally acceptable practices, but this compliance can endanger the fulfillment of the unique mission of nonprofit organisations. This is a particular challenge for religious organisations, which, as a “substantial subset of the nonprofit community” (Irvine 2000: 7), have belief systems fundamental to their modes of operation, including “social and spiritual aims”, a cooperative rather than competitive culture and a heavy reliance on volunteers (La Barbera 1991: 217).

Within a religious/charitable organisation, the input of various personnel, including ordained clergy, staff, volunteers, funders and clients (Jeavons 1998: 82 – 84) can represent a variety of powerful institutional forces which vie for ascendancy in the working out of the organisation’s operations. Religious organisations are judged by their members not only, or sometimes not at all, in terms of their efficiency, but in terms of their “symbolic-appropriateness”⁷ (Thompson 1975: 15), which can make the evaluation of the relation between spiritual ends and the means employed a flashpoint for disagreement between different groups within the organisation. Consequently, for

⁷ Thompson (1975: 11) observed that there were often criticisms by church members of increasing bureaucratisation, either in the form of criticism of “empirical goals” or “a sweeping condemnation of the symbolic-inappropriateness of the organizational form as judged by particular theological ideals about organization”.

religious organisations involved in the provision of social services, which are dependent on government funding and the goodwill of donors and the general public, the integration of institutionally appropriate practices must be conducted in a mission-astute manner, having regard to balancing religious convictions with corporate principles.

Professional groups represent a powerful normative influence in society (DiMaggio and Powell 1983: 152), to the extent that “the greater the extent of professionalization in a field, the greater the amount of institutional isomorphic change” (DiMaggio and Powell 1983: 156). This occurs because professionals view problems in a similar way, and institute similar policies, procedures and decision making structures. They strive for autonomy⁸ and for “discretion and control over programmatic and instrumental decisions falling within their claimed sphere of competence” (Scott and Meyer 1991: 130). They serve on similar boards, have similar career paths, and their employment and promotion guarantee to their organisations a certain legitimacy and acceptance, as they attract rewards “for being similar to other organisations in their fields” (DiMaggio and Powell 1983: 153). The value to an organisation of employing professionals is that, apart from any expertise it gains, it can be seen as conforming to “cultural-cognitive” expectations (Scott 2001: 156).

There is no doubt that nonprofit organisations have been profoundly affected by professional networks (Booth 1995: 50), and that they need their expertise if they are to continue to provide “essential social services to our communities” (Lightbody 1999: 55). In addition, the employment of professionals is also seen as vital for nonprofits if they are to attain the “institutional” legitimacy they depend upon (DiMaggio 1991: 288). The involvement of professionals within nonprofit

⁸ Professionals have been described as preferring “weaker and more decentralized administrative structures that locate maximum discretion in the hands of practitioners” (Scott 1991: 172).

organisations has a powerful effect on organisational strategies (Parker 1998: 50) at a board level, through the influence of employees, and through the employment of professional, external consultants, as they bring with them a toolbox of techniques and practices from the corporate world.

The focus of this study is on one religious/charitable organisation, RCO, and on its response to normative institutional pressures in the form of an increasing expectation for professional services and behaviour. The employment of professional consultants is one manifestation of RCO's response to these pressures. The next section focuses on RCO, outlining the way the study was conducted, describing the organisational structure and culture, and identifying some reasons why RCO was open to the notion of professional consultancies.

RCO

The study.

In the course of a year-long study at RCO's Red Region⁹, conducted over 1996 and 1997, the author conducted over 100 interviews of personnel in a variety of roles and at various hierarchical levels. Other data was collected from meetings, documents and reports, and was analysed by means of the QSR NUD*IST programme. The focus was on accounting, particularly budgeting, and in the course of this study, information was gathered about consultancies conducted, and reactions to them were recorded. It became apparent over the year that the pressure exerted by external, societal expectations was considerable. In competing with other nonprofits for funding, RCO struggled to demonstrate acceptable levels of accountability and to operate in a business-like manner, and used consultants to assist in this process. Two opposing forces within RCO made the adoption of the practices recommended by consultants

⁹ This is a pseudonym within RCO.

problematic. The first was its structure and personnel, where professionals were viewed with suspicion as being often misaligned with the values and beliefs espoused by ordained members. The second was its reliance on external funding, which included a distinctive culture of openness to external assistance.

Structure and personnel

The structure of RCO Australia's Red Region, one of its Australian regions, and its relationship with the International Organisation is shown in Figure 1 below.

Take in Figure 1

The choice of a primarily geographical structure represented an attempt to integrate the church and social work of RCO, with the Heads of geographical areas responsible for both churches and social centres. The functional section was a highly specialist social service area, and included the "business" arm of RCO.

Traditionally the top administrative positions were filled by ordained members, but increasingly professionals were being employed for these roles as the complexity of the environment in which RCO operated increased. Some of the non-ordained people employed were lay members of one of RCO's local churches, but many had little or no religious affiliation. There was therefore a wide variation in the length of tenure, expertise and religious commitment of personnel, as illustrated by the Department of Finance. Of twenty-six staff, only five were ordained members, but they occupied the top two positions in the department. Few of the ordained members of RCO were trained in accounting. The Chief Accountant was a non-ordained professional accountant, and increasingly more professional accountants were coming into the organisation to take up positions formerly filled by ordained members. The increase in the number of employees relative to ordained members, as illustrated in Figure 2,

caused tensions, particularly as some professional opinions were at odds with the religious beliefs and mission orientation of the ordained members. Conditions of employment varied between the two groups, with the ordained members having more authority, and yet having little control over their own career paths, and significantly lower earning potential than non-ordained personnel. The fact that their primary training was in religion added to the problem when they were faced with performing functions that required expertise in other professional areas for which they were untrained.

Take in Figure 2.

These differences had a significant impact on the design and implementation of accounting policy and practice, on the use of accounting information for management decision making, and ultimately on the employment of external consultants.

Funding and a culture of openness

RCO's high profile enabled it to raise funds from a number of sources, as shown in Figure 3, but at the same time made it vulnerable to changing societal values and expectations.

Take in Figure 3

Recognising its need to attract the interest of supporters, not only to establish and maintain its reputation, but to ensure a steady stream of funds in order to carry out its work, RCO has an External Advisory Board, as displayed in Figure 4 below.

Take in Figure 4

Drawn from the boards of large public companies and the business and entertainment worlds, members of the External Advisory Board had no power to make decisions, but offered advice at the highest level, and represented an invaluable source of

professional expertise for RCO. RCO's care of its public reputation was meticulous. Having built up a good image over many years, they took great pains not to allow that image to be damaged in any way. While their public appeals were third in importance after government grants and client contributions, as shown in Figure 3, they were nevertheless vital to RCO's survival. Their major fundraising venture each year was a public appeal, and on this they relied heavily on the public not only for donations, but also for assistance in conducting the fundraising drive. The influence of this board was reinforced by the employment of professionals within RCO. While employed professional accountants did not make mission decisions, in the running of RCO as a business, and in the formation and outworking of various financial policies they had substantial influence.

Running as a business

It has been observed (James 1998: 271) that nonprofit organisations are not reluctant to embrace commercial activities, and in spite of the fact that RCO's primary mission was not to make a profit¹⁰, it was generally acknowledged that RCO needed to be run in a businesslike manner. To this end, a 1990 internal report to the Regional CEO at the time had a programme and business-oriented agenda, focusing on recommendations for "extending, adjusting, discontinuing or relocating" those services. While RCO needed to be loyal to its mission, there was also an acknowledgment that Christian stewardship was needed in the utilisation of resources. One ordained member at a social centre described this as "merchandising for the master". "This is the Lord's business," said an RCO non-ordained employee in another social centre.

¹⁰ La Barbera (1991: 227) investigated 35 "enterprise" activities of religious nonprofits, ranging from simple one-off ventures to complex enterprises such as hospitals, universities and cable television stations, and found that the earning of income was "rarely the primary consideration or measure of success when religious-based nonprofit enterprise (was) initiated and evaluated".

The main purpose of running RCO's business arm, according to one ordained social officer, was to produce funds that would go into RCO's general funds, to be allocated wherever they were needed. He defended RCO's practice of selling goods that were donated by the public by saying that "every dollar that's got in is precious". One ordained church leader said that RCO's emphasis on profit making enterprises over the last few years had been borrowed from RCO experience overseas. He attributed it to the Regional CEO's desire to help RCO to be viable in the longer term, i.e. to set up business systems which would help to make RCO self-sustaining in a financial sense. This was seen as completely consistent with its mission.

Funding imperatives were another major reason given for running RCO as a business, according to people interviewed. It was acknowledged that RCO, like other nonprofit organisations, increasingly relied on commercial sources of income (Young 1998: 209). While one senior ordained RCO member admitted that RCO had a responsibility to run in "a businesslike fashion", particularly in the light of changes in the nonprofit sector, there was concern that RCO's mission should not be compromised in fulfilling some of the regulatory (coercive) requirements imposed. The conflict was in balancing financial accountability while at the same time maintaining "actions that are appropriate for a caring, religious/charitable organization whose concern is not primarily profit and financial considerations" (Irvine 2000: 8).

Others emphasised the size of RCO operations, and maintained that necessitated a business-like orientation, a need to adopt "business methods of the day and age in which we live". A senior ordained member, employed at the Red Region's Head Office, for example, spoke of the need to bring in a professional accountant from

outside RCO to fill a position which had traditionally been held by an ordained person:

... I think we need the objective view of somebody who has not, up to this stage, been mixed up in RCO at all, and will enlighten us about the best way to do it (run efficiently).

At one regional Head Office Budget meeting in 1997, the subject of employing a business manager for RCO's counselling arm was raised. It was agreed that somebody was needed who had a "good business brain", and could generate more funding for the service. Again, at a Regional Head Office board meeting, a social centre manager was praised because of his ability to generate a profit for RCO. The organisational culture and context was that RCO was open to external influences and advice, and far from viewing the employment of business methods as a threat to its mission, they were seen as a potential enhancement. Consequently, the organisation was open to the employment of consultants and the absorption of commercial practices.

An overview of five consultancies undertaken within RCO during the period of this study follows: a budgeting study, an organisational review, an aged care review, a Business Organisation consultancy, and a computer systems consultancy. This overview is followed by a more detailed analysis of two consultancies, the business study and the review of RCO's computerised accounting system.

Consulting in RCO

An overview

The organisational dynamics of RCO have been identified as producing a culture of openness to the use of external consultants, as demonstrated in the year under consideration. The budgeting study was primarily an academic study, but RCO wanted to receive some benefit from it, since the hierarchy recognised that the

existing system was slow, unwieldy and frustrating. Conducted over a year, the study followed the entire budgeting cycle, and recommended a streamlining of the existing procedures, which were locked into a complicated, hierarchical budgeting committee system. By the conclusion of the study, the two top organisation leaders who had commissioned the study had moved to other appointments. The people who had replaced them were not as open to suggestions for change, and at the time were struggling to cope with the organisational review, many of the findings and recommendations of which were consistent with those of the budgeting study.

The original motivation for the organisational review related to personnel issues, but at the suggestion of the consultant, it was extended to cover other structural, procedural and cultural issues. Both these studies were critical of the hierarchical, autocratic culture and the tension between ordained members and employees. Although there was a groundswell of opinion from lower down the organisational hierarchy that change was needed, particularly as regards the lack of professional expertise demonstrated by ordained personnel who occupied many of the management positions within RCO, there was a resistance at the top levels to the changes proposed by both these studies.

Both the aged care and Business Organisation studies were conducted by the same consultant. The motivations were similar, but a significant difference was that the focus of the business study was on improving profitability, while the aged care study was undertaken to make up a deficit caused by reduced government funding and to ensure compliance with the accountability requirements of that funding. This provided a powerful motivating force for adoption of the recommendations. These four studies all highlighted the level of expertise required in specialist areas such as

accounting, budgeting, business operations and aged care, while noting the lack of such skills in the ordained personnel who held the majority of positions in these areas.

The computer systems study was commissioned by the organisation as a result of problems identified in the computer system at every level of the organisation. RCO's external auditors were employed to conduct the study, having already highlighted the "unintegrated and inflexible" system in their annual report. The Chief Accountant, a professional accountant and not a member of RCO's church, was very much in favour of the project, expressing frustration at the slow and unwieldy system that RCO was using. One of the arguments he used to "sell" the computer systems review was the organisation's difficulty in meeting government funding accountability requirements in the time required. This, he argued, could jeopardise future government funding. This also was a powerful motivator to RCO's top personnel.

Table 1 below presents an overview of these five external consultancies, all conducted within a twelve-month period, in terms of the nature, motivation, consultant employed, recommendations and adoption of each. A more detailed analysis of the Business Organisation and computer systems consultancies then follows.

Take in Table 1.

Business Organisation consultancy

RCO's Business Organisation, under the auspices of its Social Mission Section (see the "functional section" in Figure 1), was responsible for generating a significant amount of income each year through the profitable operation of retail outlets selling donated clothing, furniture, household goods and bric a brac, and other business activities. The "Sales" graph in Figure 3, demonstrates the contribution this source of income made to RCO's revenue. In 1996, the head of the Social Mission Section

commissioned a report from a private consulting firm, the purpose of which was to provide a fresh and objective look at the business operations and to make recommendations which would improve its overall efficiency and effectiveness, whilst simultaneously improving profitability and controls. The motivation was primarily the raising of funds and the cutting of costs, i.e. increasing the contribution made by Sales to RCO's total revenue.

RCO's Social Services Section supervised the region's Social Mission programme, and the Business Organisation, which for the twelve months ended 30 June 1995, the period immediately preceding the study, contributed a surplus of approximately \$2.9 million to RCO. These funds were spent on the maintenance of that programme. This was recognised as a business with great potential, and with a growing need to provide funding, RCO was developing the strategy of funding its own programme through its business endeavours. The consulting report, presented in August 1996, focused primarily on:

- retail profitability, shop presentation and controls, stock holdings, discounting and sales policy, security, and expansion possibilities;
- production, including quality, productivity and a review of current operational processes;
- transportation, including fleet management, size and cost;
- raw material collection, including clothing bin analysis, location and required levels for current and future requirements;
- administration and organisational structure.

The findings of the report were based on the establishment of benchmarks and key performance indicators (kpis) in these five areas. These benchmarks were developed as a result of observations in the Australian regions of RCO. The report contained detailed analysis of all stores and production centres, and presented vast numbers of figures and kpis. One aspect of the report was to highlight overstaffing at a significant

number of outlets, possibly the result of RCO's charitable view of employing people who needed employment. This was a striking example of the head-on clash of the competing claims of money and mission, and was a cause of disappointment to some, but not all, RCA members, both ordained and non-ordained.

A greater degree of professionalisation was proposed for this business arm, specifically that an experienced sales and marketing employee be engaged in the near future, that the general manager take on responsibility for security, and also oversee bin placement and raw material management. These strategies would lift the performance of its Business Organisation to the level of the big business it had become, so that it could be managed and controlled according to sound business practices. Since it was currently managed by an ordained RCO member, this represented a significant shift. Employing corporate language, the consultants asserted that quantifiable cost reductions of approximately \$1.8 million could be achieved, bringing the industry into an increasingly profitable operation through greater efficiency, retail activity and productivity. It was recognised that it would be a huge organisational commitment and a massive challenge to achieve these targets, requiring commitment from all levels of RCO, including its External Advisory Board.

Significantly, the head of the Social Mission Section, who commissioned the report, took up his new position at the Regional Head Office from 1 August 1996, so was not there to push it through the approval process or oversee the implementation of any of the recommendations. This was another instance of the commissioning of a consulting exercise being positively viewed by the hierarchy in terms of promotion. The new Social Mission Section head was described by one Regional Head Office employee as being more interested in programme than finances. He had therefore not pushed it as it would have required, with the result that the system had not been changed as

suggested. One social centre manager, when speaking of another external report RCO had commissioned, which relied heavily on benchmarks, described them as a “catch phrase” which RCO was keen to embrace, but not very eager to implement.

Reactions to the Business Organisation report were mixed. One finance department employee described it, with its setting of benchmarks, as promoting a “more businesslike way of operating”. Another said he had “a few reservations” about the report, an opinion which was shared by more than one Business Organisation ordained member. One observed that, in his opinion, some things in the Business Organisation report were “a bit unrealistic”, in terms of the benchmarks set. With RCO ordained members receiving modest living allowances, the payment, at the time, of \$850 per week to a non-ordained manager in one Business Organisation centre seemed to some ordained people (who were earning very low salaries) to be excessive. Another ordained member pointed out that under that manager’s leadership, sales had been raised in a four year period from \$750,000 to \$2 million. He felt the large salary (in RCO terms) was more than justified.

Even though the report was embraced warmly in most quarters, and applied to a limited extent, without the impetus from the person who saw the need for it in the first place, the process of change was definitely hampered. It seemed that people within RCO liked to talk about it and praise it, but were not prepared to act upon it. While committed to running as a business for the sake of funding its ministry, RCO would have been required to aspire to a new level of professionalism it had hitherto not embraced. In institutional terms, however, the employment of the consultant in itself lent legitimacy and the perception of businesslike practices, whether the implementation was followed through or not.

Computer systems consultancy

Frustrations with the outdated computer system were evident at every level: in the Regional head office, in the offices of the eight sections, and at social centre level. The problems with the slow, unwieldy and inaccurate system had come to the attention of a management consultant two years earlier, when he was employed to conduct a series of training workshops through the region. He recommended the introduction of a commercially developed system, instead of the in-house system RCO currently used. The top-tier accounting firm which conducted RCO's annual audit observed similar problems when auditing the accounts for the year ended 30 June 1996. One of the main issues highlighted in their report was the "unintegrated and inflexible" computer system.

The Chief Accountant, frustrated by the computer system himself, responded to this report by sending a memo to the Regional Finance Officer, in which he discussed each of the accounting firm's criticisms. He agreed with their comments on the computer system, and noted that RCO had limited time in which to establish another software system before the year 2000. He went on to propose four possible solutions for dealing with the extensive accounting and computer system problems which had come to light, favouring an option which would centralise data at the Regional Head Office. It was suggested that this would speed up the collection of data by means of several strategies, including "converting the data to a more powerful and useful database, allowing for easier and quicker access to information" and "having the data in one format rather than two". He stated that he was sensitive to the need to maintain a sense of "ownership" at a local level, but was also concerned that Regional Head Office should provide a "better financial service" to the Sectional Offices and the social centres. An interesting aspect of his memo was that this option was the one he

favoured, and was the only one which he mentioned as having been discussed with the accounting firm and having received their “endorsement”. At the end of his memo, the Chief Accountant included a page on which he outlined a proposed study of the computer system. He highlighted the year 2000 imperative, and described having had extensive discussions with various accounting and computer systems experts. The result of these discussions was that a study should be performed to assess the best way to collect the data from the centres and process the data to meet RCO’s statutory obligations.

The accounting firm also had observed that with the government’s becoming more selective in their funding, organisations needed to ensure they were meeting their reporting obligations if they were to maintain their level of funding. The budgeting system was implicated also, because budgets were prepared on three months estimations, not on actual data. Even the “actuals” were inaccurate, with the result that RCO’s financial management suffered. Based on these powerful reasons, reliance on government funding, a need for accurate financial information, and the desire to offer high quality financial management, the Chief Accountant called for a formal study. He addressed his request to the Regional Finance Officer, and he was requested to submit the proposal to the Regional Finance Council¹¹.

Professional networks played a powerful role in the decision to pursue this strategy, and to employ the auditing firm, one of three consultants who had expressed interest in undertaking the project. Lobbying occurred within RCO about the extent of the review, and after some discussion, it was agreed that it would include social centres as well as Regional Head Office and Section Offices. The review was required to

¹¹ The Regional Finance Council advised the Regional CEO on finance decisions at the highest level of the organisation. It consisted of the Regional CEO, Assistant Regional CEO, and the highest-ranking members of the organisation. While they attended, only the Regional CEO had a “vote”. The final decision about all matters was his.

provide recommendations on short term improvements in the reconciliation and consolidation process, short term improvements in the accuracy and timeliness of information collections and consolidated and a longer term vision on the infrastructure and process best suited to the collection and consolidation of information. As well, it was to satisfy high level requirements for RCO's general ledger system and to provide a plan to be followed to select and implement financial systems to replace the current computerised accounting system.

After interviewing twenty-five key staff members at several social centres, Section Offices and Regional Head Office, several recommendations were put forward when the review was presented in April 1997:

- the consolidation process should be performed monthly, and should roll up from centres to Section Offices through to Regional Head Office;
- the use of a standardised chart of accounts structure throughout RCO would greatly enhance the consolidation and reporting process;
- in the short term, responsibility for data entry and reporting should be taken away from those centres that do not have the necessary skills;
- centres should be provided with more support in discharging their reporting responsibilities;
- responsibility for data entry could be moved back to centres in the longer term when policies and procedures are fully developed, and knowledge levels increase;
- as a longer term strategy, more use should be made of packaged systems to cater for user needs;
- the project to replace the computerised accounting system provides an ideal opportunity to select packaged systems for centres and Section Offices;
- the computer services role would then become one of more co-ordination and support

Because the computer system had a wide impact on every level of data capture and management within the organisation, the opportunity therefore existed to put in place a system which would answer the specific problems RCO was experiencing. Not only was the existing system cumbersome, but users were ill-equipped to understand it,

especially faced with the introduction of accrual accounting. The use of packaged systems, it was suggested, would provide, among other things, an opportunity to involve key users in the documentation of requirements for the replacement of systems. This idea was taken up, and a series of computer users meetings began.

Significantly, the choice of the software package was given to the Regional Head Office's Finance Department, with the computer services department being required to implement it. The Chief Accountant had expressed a desire for "ongoing" support from the accounting firm, and this was arranged so that he could consult with them as required. As regards the implementation of the computer systems review, an employee of the accounting firm was to come in at cost plus out of pocket expenses. It appeared to be important for the Chief Accountant to have this external support for the implementation of the new system, since it lent the project a legitimacy and authority it would not otherwise have had. He needed this, as a professional accountant employee, in order to put his case for change to the ordained members higher up the organisational hierarchy. This was needed because, as a professional accountant employee, in order to put his case for change to ordained members, both his immediate superiors, and those higher up the organisational hierarchy.

The introduction of the new computer system was fraught with frustration. The users group met frequently, and trialled its implementation at one centre in particular, with the aim of refining it before it was introduced at other centres. Even by August 1998, ten months after the access period of this study finished, it was described as "rough", with difficulties in implementation. In the meantime, validations were required from aged care centres in receipt of government funding, with more stringent requirements than ever before. This was apparently becoming the pattern, that the more government funding was received, the more accountable organisations were being held. This put

incredible strains on an organisation such as RCO, with a great number of untrained personnel.

These pressures provided a powerful incentive for RCO to push ahead in applying the suggestions made in the computer systems review. This was a series of recommendations it could not afford to ignore, in spite of the fact that the application of those recommendations put a great strain on the organisation's resources, both in terms of finances and personnel, with implications for the existing relationship between ordained personnel and employees. The computer project delivered both technical and legitimising benefits to RCO, through its ability to meet government reporting requirements. It also provided a powerful demonstration of RCO's conformity with professional and technical expectations, and illustrated the power of professional networks.

Conclusions

Professional consultancies are a manifestation of normative institutional pressure, mobilising the "creep" of corporate practices across sectors. Because nonprofit organisations such as RCO rely for funding on the general public, government, and increasingly on corporations, they experience strong pressure to conform to corporate-style norms. In an era of accountability, the public expect nonprofit organisations not only to provide good service, but to adhere to institutionally acceptable practices borrowed from the corporate world. In addition, with extensive public sector reforms catapulting government into the corporate arena, requirements about accounting, management, and accountability mechanisms are mandatory for nonprofit organisations receiving government funding. As corporate funding picks up the gaps left by reduced government funding, there is even more pressure on nonprofit organisations, if they wish to appear worthy of receiving corporate donations, to

adhere to the practices of the corporate world. Consequently, on all fronts, corporate practice has become institutionalised across all sectors. The proliferation of the use of consultants is thus one manifestation of these normative institutional pressures, with consultants valued not only for the knowledge and technical advice they provide, but for the legitimacy they bestow.

Consultants are a group of entrepreneurial professionals who take for granted a corporate view of organisations, and their employment by organisations is a highly political process. From the initial agreement, in the conduct of the consultancy, and in the implementation (or not) of consultants' recommendations, there is often an organisational agenda underlying the technical expertise that the consultant is overtly employed to provide. Irrespective of the use made of their recommendations, their employment has a powerful legitimising effect, and hence their contribution can be seen as not just technical, but symbolic.

These observations were borne out in the case of RCO. While input from its External Advisory Committee reinforced external normative pressures, internally the employment of various professionals, particularly in the field of accounting, added weight to the creep of corporatisation, and brought about changes. Implementing these changes was not a straightforward process, however, as RCO, with its own distinct mission and culture, at times struggled with the changes suggested by consultants. While not directly threatening RCO's mission, in some instances changes challenged the understanding of how that mission was fulfilled.

There is every reason to expect that since all nonprofit organisations, by their very nature, have a mission focus that is not primarily focused on making a profit, they will face similar challenges in the employment of consultants and the adoption of corporate technologies. In order to protect their mission, they will need to develop a

way of understanding the external and internal environments in which they work in order to assess the value of the consultancy services they wish to obtain. They will need to decide whether professional consultancy services with a corporate focus pose a threat to the achievement of their nonprofit mission. Since profit-making is not their primary agenda, they must have clear guidelines about what they want to achieve in employing consultants, choose those consultants carefully and be discerning in the application of the recommendations they receive. Members of nonprofit boards have a responsibility to assess carefully the motivations for employing professional consultants, and to determine whether the benefits sought from their advice are technical or image-focused.

The infiltration of corporate accounting and management practices from the private sector, through the public sector, and into the nonprofit sector, has already been documented by accounting researchers, particularly in relation to the adoption of accrual accounting. However, little research has been undertaken on the role of external consultants in that process and the potential compromise to the unique mission of nonprofits. Within nonprofit organisations, there is wide scope for further research not only on the way in which corporate-style practices are embedded within organisations, but on the appropriateness of those practices for nonprofit activities.

This study provides insights into how one religious/charitable organisation, RCO, managed (or resisted) the process of change through the employment of external consultants, and it also attests to the integrity of an institutional interpretation of the normative pressure for nonprofits to employ external consultants. RCO, a religious/charitable organisation heavily dependent for funding on the government and on donors, experienced pressure to conform to institutional expectations, particularly normative expectations of professional behaviour consistent with a

corporate business model. The employment of consultants by RCO was an institutionally acceptable practice, with the consultants offering more than professional advice about corporate techniques and strategies. They bestowed legitimacy on RCO, demonstrating its fitness to receive funding and enhancing its ability to survive. It is hardly surprising that the market for consultancy services continues to grow, particularly in nonprofit organisations which desperately need the legitimacy they offer.

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Figure 1. RCO Red Region's organisational structure

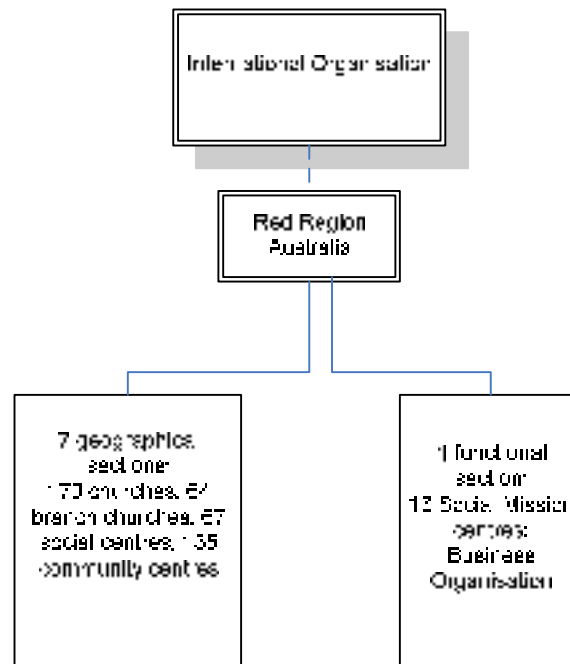


Figure 2. Active ordained and non-ordained personnel in RCO, 1960 - 1998

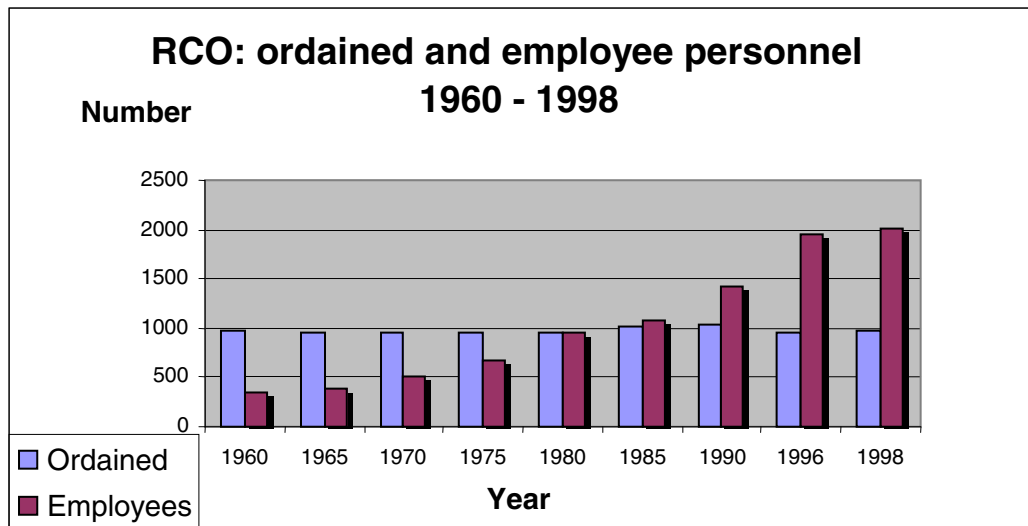


Figure 3. RCO's funding 1995 - 1997

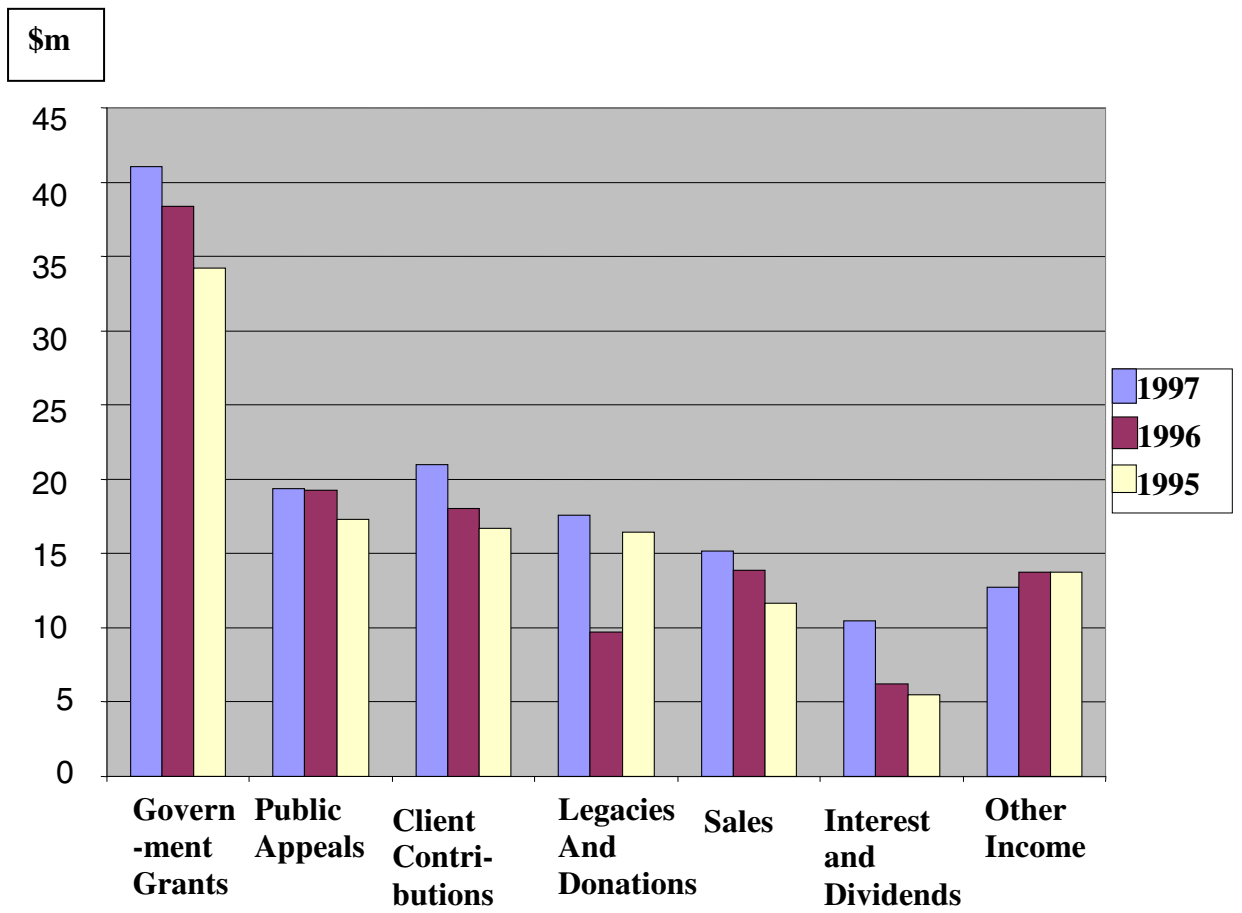


Figure 4. External Board of Advice in Red Region's Organisational Structure

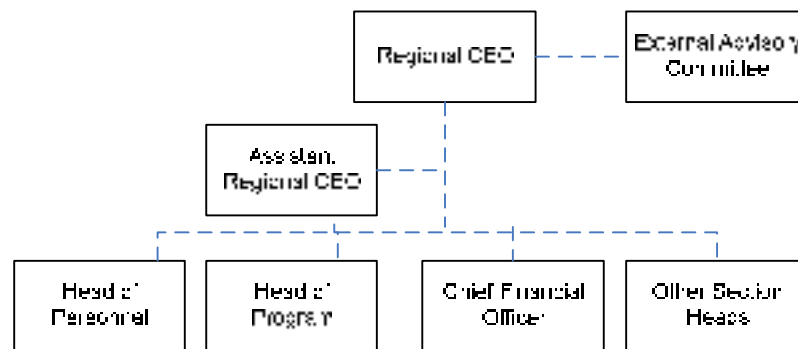


Table 1. Summary of consultancies in RCO

Nature of the consultancy	Motivation	Consultant employed	Recommendations	Adoption/reason
Budgeting.	Cumbersome system; accrual accounting.	Academic.	Organisation-wide streamlining of system of budget approvals.	None. Change in leadership and lack of interest.
Organisational review.	Organisation-wide personnel and structural review.	Private management consultant.	Change from crisis management focus to strategy orientation. Significant structural and cultural change.	Little change. Politicisation of report. Initial proposal for 5 year implementation, but resistance to change.
Aged Care.	Government funding cutbacks; need to operate profitably.	Private specialist consultant.	Elimination of “deficit funding” by cutting costs; more stringent accounting and operational practices by running in a more businesslike manner.	Unknown. Widespread belief that change was needed.
Business Organisation.	Increase revenues; cut costs.	Private specialist consultant.	Appointment of sales and marketing employee; adoption of key performance indicators; reduction in overstaffing.	Minimal. Change of leadership, lack of drive to implement proposed changes.
Computer System.	Out of date system; Year 2000 problem; slow processing speed; government requirements.	External auditor (top accounting firm).	New system proposed. Increased training required. Centralisation of accounting at head office proposed.	Implemented. Driven by professional accountants in Finance Department and necessity linked to ability to fulfil government funding accountability requirements.